Moqhaka Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

General Information

Jurisdiction Number	Municipal demarcation code FS201
Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). Moqhaka Local Municipality is situated within the southern part of the Fezile Dabi District in the Free State province. The seat of local government is Kroonstad.
Nature of business and principal activities	Moqhaka is a local municipality performing functions as set out in the constitution (Act 105 of 1996)
Mayoral committee	
Executive Mayor	Mareka, J
Speaker	Nakedi, ACWD
Chief Whip	Koloi, MA
Members of the Mayoral Committee	Colbert, DPC Machobane, ML Magadlela, ZS Makau, TL Mkhwanazi, TM Mokoena, S Mokotla, M (Deceased) Moletsane, ER Tau, DA Thipane, MP
Grading of local authority	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	Mqwathi, MS
Chief Finance Officer (CFO)	Marumo, T
Registered office	Municipal Offices Hill Street Kroonstad 9499
Business address	Municipal Offices Hill Street Kroonstad 9499
Postal address	PO Box 302 Kroonstad 9500
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Du Randt & Louw Majavu Incorporated Lebea & Associates Attorneys

General Information

Preparer

The annual financial statements were internally compiled by:
The office of the CFO

Members of council

Dalton, CM
Dire, AMS
Geldenhuis, J
Green, MM
Hattingh, JM
Kgang, LD
Khiba, SV
Leokaoke, TJ
Letsabo, MJ (Resigned)
Letsitsa, ME
Lithupa, MJ
Makoele, WL
Malinga, DM
Masuret, A
Mbono, MD
Mkhotheni, NW
Mokodutlo, NP
Mofokeng, MJ
Monoto, MA
Moeketsi, DA
Notsi, EM
Ntsala, TM
Nzunga, DN
Phooko, PJ
Rooskrans, B
Seleke, LM
Selikoe, NM
Sethabela, MJ
Shahim, DM
Silevu, JS (Deceased)
Taje, FM
Thajane, MI
Twapa, VPM
Tladi, SB
Vermeulen, M
Viljoen, AH
Wille, GV

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
SCM	Supply Chain Management
DBSA	Development Bank of South Africa
EPWP	Extended Public Works Programme
MMC	Member of Mayoral Committee
COGTA	Cooperative Governance and Traditional Affairs
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IDP	Integrated Development Plan
DWAS	Department of Water Affairs and Sanitation
MSIG	Municipal Systems Improvement Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provicial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 6 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Mqwathi, MS
Accounting Officer
Hons: Business Administration

Kroonstad

31 August 2015

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 10 867 379 (2014: surplus R 18 957 547).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act of 2015.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

5. Accounting policies

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

6. Non-current assets

During the financial year 2014/15 the fixed asset register was reconstructed to address the disclaimer issues identified on Property, Plant and Equipment. The reconstruction included property register which includes Land, Buildings and Community assets. The infrastructure assets and community assets registers were also reconstructed to address the valuation, completeness, and physical verification deficiencies.

7. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mqwathi, MS	South African

8. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	30 560 306	22 252 285
Receivables from exchange transaction	4	94 641 706	61 516 191
Inventories	5	118 699 720	112 084 467
Receivables from non-exchange transactions	6	19 430 910	15 508 724
VAT receivable	7	-	13 465 587
		263 332 642	**224 827 254**
Non-Current Assets			
Investments	8	232 636	220 891
Heritage assets	9	2 163 451	2 163 451
Investment property	10	126 494 671	121 783 442
Property, plant and equipment	11	2 472 028 724	2 507 352 045
Intangible assets	12	789 973	934 428
		2 601 709 455	**2 632 454 257**
Total Assets		**2 865 042 097**	**2 857 281 511**
Liabilities			
Current Liabilities			
Consumer deposits	14	12 146 690	9 214 943
Finance lease obligation	15	17 125	83 975
Other financial liabilities	16	1 142 474	2 258 568
Payables from exchange transactions	17	104 855 227	112 774 237
Unspent conditional grants and receipts	18	1 833 345	9 119 890
VAT payable	20	3 228 217	-
		123 223 078	**133 451 613**
Non-Current Liabilities			
Employee benefit obligation	13	42 561 000	38 911 000
Finance lease obligation	15	-	17 125
Other financial liabilities	16	23 651 077	23 597 764
Provisions	19	30 414 037	29 922 484
		96 626 114	**92 448 373**
Total Liabilities		**219 849 192**	**225 899 986**
Net Assets		**2 645 192 905**	**2 631 381 525**
Accumulated surplus		2 645 192 905	2 631 381 525

* See Note 48 & 50

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Government grants & subsidies	23	240 348 389	262 635 516
Property rates	24	47 515 687	41 792 931
Service charges	25	361 705 545	320 555 372
Rental of facilities and equipment	26	3 746 133	4 112 344
Fees earned	27	753 375	781 668
Dividends received	28	11 421	12 234
Interest received	28	12 281 949	7 792 205
Other income	29	8 355 000	8 446 846
Discount received	30	161 947	133 691
Fines	31	4 545 114	4 029 715
Total revenue		**679 424 560**	**650 292 522**
Expenditure			
Employee related costs	32	176 079 475	162 114 526
Remuneration of councillors	33	16 756 655	16 284 853
Debt Impairment	34	24 760 786	47 137 598
Depreciation and amortisation	35	111 206 234	109 453 159
Finance costs	36	7 140 934	11 760 379
Contracted services	37	19 007 428	11 620 005
Repairs and maintenance	38	53 479 076	39 900 526
Grants and subsidies paid	39	2 948 451	4 475 117
Bulk purchases	40	186 168 057	171 180 378
Loss on disposal of assets	41	24 823	34 181
General Expenses	42	74 811 235	74 481 873
Total expenditure		**672 383 154**	**648 442 595**
Operating surplus / (deficit)		**7 041 406**	**1 849 927**
Fair value adjustments	44	4 722 973	4 222 620
Actuarial gains / (losses) on employees benefit obligation	61	(897 000)	12 885 000
		3 825 973	**17 107 620**
Surplus / (deficit) for the year		**10 867 379**	**18 957 547**

* See Note 48 & 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 852 096 033	1 852 096 033
Adjustments		
Prior year adjustmentsn (Refer Note 50)	760 327 945	760 327 945
Balance at 01 July 2013 as restated*	**2 612 423 978**	**2 612 423 978**
Changes in net assets		
Deficit for the year	18 957 547	18 957 547
Total changes	18 957 547	18 957 547
Restated* Balance at 01 July 2014	**2 634 325 526**	**2 634 325 526**
Changes in net assets		
Surplus for the year	10 867 379	10 867 379
Total changes	10 867 379	10 867 379
Balance at 30 June 2015	**2 645 192 905**	**2 645 192 905**

* See Note 48 & 50

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		348 086 758	314 576 396
Grants		233 061 844	268 856 042
Interest income		12 281 949	7 792 205
Dividends received		11 421	12 234
Discount received		161 947	133 691
Other receipts		15 204 188	14 203 323
		608 808 107	605 573 891
Payments			
Employee costs		(186 109 332)	(174 967 379)
Suppliers		(330 339 782)	(323 411 896)
Finance costs		(7 140 934)	(11 760 379)
		(523 590 048)	(510 139 654)
Net cash flows from operating activities	45	**85 218 059**	**95 434 237**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(75 763 282)	(79 864 927)
Purchase of other intangible assets	12	-	(78 300)
Net cash flows from investing activities		**(75 763 282)**	**(79 943 227)**
Cash flows from financing activities			
Repayment of long term loans		(1 062 781)	(2 691 119)
Finance lease payments		(83 975)	(278 890)
Net cash flows from financing activities		**(1 146 756)**	**(2 970 009)**
Net increase/(decrease) in cash and cash equivalents		**8 308 021**	**12 521 001**
Cash and cash equivalents at the beginning of the year		22 252 285	9 731 284
Cash and cash equivalents at the end of the year	3	**30 560 306**	**22 252 285**

* See Note 48 & 50

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	51 193 000	6 957 000	**58 150 000**	47 515 687	**(10 634 313)**	24
Service charges	378 929 000	311 000	**379 240 000**	361 705 545	**(17 534 455)**	25
Investment revenue	4 530 000	794 000	**5 324 000**	16 039 503	**10 715 503**	28
Transfers recognised - operational	171 728 000	-	**171 728 000**	240 348 389	**68 620 389**	23
Other own revenue	12 212 000	2 095 000	**14 307 000**	17 616 585	**3 309 585**	22
Total Revenue (excluding capital transfers and contributions)	**618 592 000**	**10 157 000**	**628 749 000**	**683 225 709**	**54 476 709**	
Expenditure by type						
Employee costs	(191 721 000)	10 173 000	**(181 548 000)**	(176 079 469)	**5 468 531**	32
Remuneration of councillors	(17 412 000)	211 000	**(17 201 000)**	(16 756 656)	**444 344**	33
Debt impairment	(13 000 000)	-	**(13 000 000)**	(24 760 786)	**(11 760 786)**	34
Depreciation & asset impairment	(24 000 000)	-	**(24 000 000)**	(111 206 234)	**(87 206 234)**	35
Finance charges	(3 400 000)	-	**(3 400 000)**	(7 140 934)	**(3 740 934)**	36
Bulk purchases	(191 137 000)	2 501 000	**(188 636 000)**	(205 175 485)	**(16 539 485)**	37
Grants and subsidies paid	-	-	**-**	(2 948 451)	**(2 948 451)**	39
General expenditure	(156 723 000)	(30 505 000)	**(187 228 000)**	(128 290 306)	**58 937 694**	42
Total expenditure	**(597 393 000)**	**(17 620 000)**	**(615 013 000)**	**(672 358 321)**	**(57 345 321)**	
Surplus / (Deficit)	**21 199 000**	**(7 463 000)**	**13 736 000**	**10 867 388**	**(2 868 612)**	
Surplus / (Deficit) after capital transfers & contributions	**21 199 000**	**(7 463 000)**	**13 736 000**	**10 867 388**	**(2 868 612)**	
Surplus / (Deficit) for the year	**21 199 000**	**(7 463 000)**	**13 736 000**	**10 867 388**	**(2 868 612)**	

The accounting policies on pages 13 to 38 and the notes on pages 39 to 85 form an integral part of the annual financial statements.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	51 193 000	6 957 000	58 150 000	-		58 150 000	47 515 687		(10 634 313)	82 %	93 %
Service charges	378 929 000	311 000	379 240 000	-		379 240 000	361 705 545		(17 534 455)	95 %	95 %
Investment revenue	4 530 000	794 000	5 324 000	-		5 324 000	11 916 783		6 592 783	224 %	263 %
Transfers recognised - operational	171 728 000	-	171 728 000	-		171 728 000	240 348 389		68 620 389	140 %	140 %
Other own revenue	12 212 000	2 095 000	14 307 000	-		14 307 000	10 188 187		(4 118 813)	71 %	83 %
Total revenue (excluding capital transfers and contributions)	**618 592 000**	**10 157 000**	**628 749 000**	**-**		**628 749 000**	**671 674 591**		**42 925 591**	**107 %**	**109 %**
Employee costs	(191 721 000)	10 173 000	(181 548 000)	-	-	(181 548 000)	(176 079 475)	-	5 468 525	97 %	92 %
Remuneration of councillors	(17 412 000)	211 000	(17 201 000)	-	-	(17 201 000)	(16 756 655)	-	444 345	97 %	96 %
Debt impairment	(13 000 000)	-	(13 000 000)			(13 000 000)	(24 760 786)	-	(11 760 786)	190 %	190 %
Depreciation and asset impairment	(24 000 000)	-	(24 000 000)			(24 000 000)	(111 206 234)	-	(87 206 234)	463 %	463 %
Finance charges	(3 400 000)	-	(3 400 000)	-	-	(3 400 000)	(7 140 934)	-	(3 740 934)	210 %	210 %
Materials and bulk purchases	(191 137 000)	2 501 000	(188 636 000)	-	-	(188 636 000)	(186 168 057)	-	2 467 943	99 %	97 %
Transfers and grants	-	-	-	-	-	-	(2 948 451)	-	(2 948 451)	DIV/0 %	DIV/0 %
Other expenditure	(156 723 000)	(30 505 000)	(187 228 000)	-	-	(187 228 000)	(148 219 562)	-	39 008 438	79 %	95 %
Total expenditure	**(597 393 000)**	**(17 620 000)**	**(615 013 000)**	**-**	**-**	**(615 013 000)**	**(673 280 154)**	**-**	**(58 267 154)**	**109 %**	**113 %**
Surplus/(Deficit)	**21 199 000**	**(7 463 000)**	**13 736 000**	**-**		**13 736 000**	**(1 605 563)**		**(15 341 563)**	**(12)%**	**(8)%**
Surplus/(Deficit) for the year	**21 199 000**	**(7 463 000)**	**13 736 000**	**-**		**13 736 000**	**(1 605 563)**		**(15 341 563)**	**(12)%**	**(8)%**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and have been rounded off to the nearest Rand.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance in the year in which it arose.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [i.e. production estimates, supply demand], together with economic factors such as inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment as wel as intangible assets. The municipality re-assess the useful lives and the residual values on an annual basis, considering the conditional and use of the individual asset. This estimate is based on industry norm. Management will change the depreciation charge where useful lives are more / less than previously estimated.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate and deferred payment terms

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Accounting Policies

1.3 Investment property (continued)

Investment property is recognised as an asset when, and only when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition

An investment property shall be derocognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

1.4 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	7 - 80 years
Plant and machinery	2 - 15 years
Furniture and fixtures	2 - 10 years
Motor vehicles	2- 20 years
Office equipment	3 - 7 years
IT equipment	3 - 7 years
Infrastructure	
• Park Infrastructure assets	7 - 80 years
Community	
• Land	Indefinite
• Buildings	7 - 80 years
Electricity	7 - 80 years
Park Infrastructure	7 - 80 years
Quarries	15 - 20 years
Landfill sites	15 - 80 years
Finance leases - 3G cards	2 years
Finance leases - Cellphones	2 years
Solid waste	15 - 80 years
Waste water network	7 - 80 years
Portable water network	8 - 100 years
Storm water	40 - 60 years
Heritage	Indefinite
Roads, Bridges and Roadside Structures	8 - 80 years
Railway	60 - 100 years

The residual value, the useful life and depreciation method of each asset are reviewed at year end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Accounting Policies

1.4 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the property, plant and equipment.

Transfer

Transfers from property, plant, and equipment assets are only made when the particular asset no longer meets the definition of a property, plant, and equipment.

Transfers to property, plant, and equipment are only made when the asset meets the definition of a property, plant, and equipment.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

1.6 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Intangible assets

An asset is identifiable as an intangible asset when it:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.7 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	20 years
Computer software, other	3 - 5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

1.8 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

1.8 Financial instruments (continued)

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity classifies financial assets and financial liability as reflected on the face of the statement of financial position into the following categories:

- Financial instruments measured at fair value
- Financial instruments measured at amortised cost
- Financial instruments measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value. [If not subsequently measured at fair value] or [if measured at cost or amortised cost].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

1.12 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Impairment losses are recognised immediately in surplus or deficit.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Impairment losses are recognised immediately in surplus or deficit.

1.14 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.15 Employee benefits (continued)

Post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charged to income as incurred throught the year.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Future events that may affect the amount required to settle an obligation is reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

1.16 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Penalty interest is levied on unpaid amounts each month. This revenue is recognised when levieable in terms of law.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

The municipality is required to recognise a corresponding liability when a transferred asset is received if there are conditions attached to the asset which, if not met, will result in the money being refundable to the transferor.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Assessment Rates

Revenue from rates, including collection charges and penalty interest, shall be recogised when

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- there has been compliance with the relevant legal requirement.
- changes to property values during a reporting period, which are referred to as "interims", are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.18 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines shall be recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably
- there are two types of fines; spot fines and summoneses. Municipalities will usually issue both types of fines.There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable
- In respect of summonses the public prosecutor can decide whether to waive the fines made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where reliable estimate cannot be made of revenue from summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

The municipality recognises services in-kind that are significant to its operations and / or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of assets can be measured reliably.

If the services in-kind are not significant to the entity's operations and / or service delivery objectives and / or do not satisfy the criteria for recognition, the entity shall disclose the nature and type of services in-kind received during the reporting period.

Where the municipality enters a financial guarantee contract, and it does not pay a guarantee to the insurer, the municipality discloses the existence of such contracts and the fact that no fee was paid to the insurer, but no assets are recognised.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Comparative figures (continued)

Budget information, in accordance with GRAP 1 and based on IPSAS 24, has been provided in Annexure E(1) to these financial statements.

Then the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 51.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 51.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practical, and the prior year comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 51.

1.22 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.24 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.26 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits of service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, which-ever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

Other Grants and Donations
Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

1.28 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.30 Contractual Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements
- Other commitments for contracts which are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.Expenditure on research is recognised as an expense when it is incurred.

1.31 Subsequent Events

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.32 GRAP 24 Presentation of Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

Accounting Policies

1.32 GRAP 24 Presentation of Budget information (continued)

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The initial application of the statements and interpretations on the municipality's annual financial statements is expected to have no impact.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	13 920	15 920
Bank balances	15 384 837	6 304 450
Short-term deposits	15 161 549	15 931 915
	30 560 306	**22 252 285**

The fair value of the cash and cash equivalents approximate their carrying value.

Cash and cash equivalents pledged as collateral

	2015	2014
Local guarantees issued to Department of Mining and Energy This cession is linked to ABSA fixed deposit account number: 205 824 7882	65 690	62 652
Local guarantees issued to Department of Mining and Energy This cession is linked to ABSA notice deposit account number: 630 1219190	40 015	39 696
	105 705	**102 348**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
ABSA BANK - Cheque Account - 405-327-4876	17 707 778	6 676 739	1 008 726	15 384 837	6 304 450	1 376 377
ABSA BANK - Fixed Deposit - 204-843-5948	54 064	51 397	48 861	54 064	51 397	48 861
ABSA BANK - Fixed Deposit - 204-571-4533	-	-	16 001	-	-	16 001
ABSA BANK - Fixed Deposit - 205-824-7882	65 690	62 652	59 912	65 690	62 652	59 912
ABSA BANK - Notice Deposit - 630-0121-9190	40 015	39 696	39 380	40 015	39 696	39 380
ABSA BANK - Savings Account - 913-190-1443	14 870 953	15 653 770	7 876 722	14 870 953	15 653 770	7 876 722
ABSA BANK - Savings Account -914-414-9383	6 680	2 839	3 608	6 680	2 839	3 608
ABSA BANK - Savings Account - 918-265-3631	2 574	2 525	2 486	2 574	2 525	2 486
ABSA BANK - Savings Account - 923-247-6515	94 863	93 049	91 578	94 863	93 049	91 578
Total	**32 842 617**	**22 582 667**	**9 147 274**	**30 519 676**	**22 210 378**	**9 514 925**

Figures in Rand	2015	2014

4. Receivables from exchange transactions

Gross balances		
Electricity	40 914 912	31 877 085
Water	152 220 438	123 595 094
Interest on debtors	44 042 198	38 520 949
Sewerage	37 280 323	32 060 714
Refuse	25 397 875	22 264 001
Other services*	17 607 685	17 056 358
Deposit	3 313 266	1 310 661
	320 776 697	**266 684 862**

*Other Service comprise of: Rental (including leases), Fire services and advertising services.

Less: Allowance for impairment		
Electricity	(11 357 223)	(8 554 422)
Water	(120 319 366)	(108 265 398)
Interest on debtors	(31 079 537)	(29 988 186)
Sewerage	(27 604 056)	(25 820 501)
Refuse	(18 752 156)	(18 034 991)
Other services*	(14 708 560)	(13 457 566)
Deposits	(2 314 093)	(1 047 607)
	(226 134 991)	**(205 168 671)**

Net balance		
Electricity	29 557 689	23 322 663
Water	31 901 072	15 329 696
Interest on debtors	12 962 661	8 532 763
Sewerage	9 676 267	6 240 213
Refuse	6 645 719	4 229 010
Other services	2 899 125	3 598 792
Deposit	999 173	263 054
	94 641 706	**61 516 191**

Electricity		
Current (0 -30 days)	11 860 326	9 131 738
31 - 60 days	1 150 573	726 195
61 - 90 days	698 996	437 769
91 - 120 days	15 847 794	13 026 961
	29 557 689	**23 322 663**

Water		
Current (0 -30 days)	6 670 535	5 154 630
31 - 60 days	4 011 847	-
61 - 90 days	3 423 139	-
91 - 120 days	17 795 551	10 175 066
	31 901 072	**15 329 696**

Interest on debtors		
Current (0 -30 days)	1 290 703	528 258
31 - 60 days	1 448 934	489 897
61 - 90 days	1 412 812	499 328
91 - 120 days	8 810 212	7 015 280
	12 962 661	**8 532 763**

Sewerage

Figures in Rand	2015	2014

4. Receivables from exchange transactions (continued)

Current (0 -30 days)	1 581 662	1 713 317
31 - 60 days	962 657	1 019 628
61 - 90 days	867 557	888 937
91 - 120 days	6 264 391	2 618 331
	9 676 267	**6 240 213**

Refuse

Current (0 -30 days)	1 050 533	987 997
31 - 60 days	632 665	563 836
61 - 90 days	572 629	530 834
91 - 120 days	4 389 892	2 146 343
	6 645 719	**4 229 010**

Other services

Current (0 -30 days)	246 401	1 086 066
31 - 60 days	109 692	792 374
61 - 90 days	242 193	605 193
91 - 120 days	2 300 839	1 115 159
	2 899 125	**3 598 792**

Deposit

Current (0 -30 days)	322 029	50 212
31 - 60 days	144 879	3 016
61 - 90 days	152 737	2 466
91 - 120 days	379 528	207 360
	999 173	**263 054**

Summary of debtors by customer classification

Residential

Current (0 -30 days)	10 043 386	8 132 551
31 - 60 days	7 525 478	4 676 706
61 - 90 days	6 629 724	4 671 279
91 - 120 days	255 667 563	225 480 340
	279 866 151	242 960 876
Less: Allowance for impairment	(224 167 600)	(201 166 863)
	55 698 551	**41 794 013**

Industrial/ commercial

Current (0 -30 days)	10 770 258	7 713 394
31 - 60 days	1 376 099	710 535
61 - 90 days	868 836	341 696
91 - 120 days	9 541 531	9 119 582
	22 556 724	17 885 207
Less: Allowance for impairment	(1 967 390)	(4 001 808)
	20 589 334	**13 883 399**

National and provincial government

Current (0 -30 days)	4 419 615	3 718 367
31 - 60 days	305 996	364 103
61 - 90 days	224 988	132 522
91 - 120 days	2 823 544	1 623 787
Less: Allowance for impairment	-	-
	7 774 143	**5 838 779**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. Receivables from exchange transactions (continued)

Total		
Current (0 -30 days)	19 145 358	19 564 312
31 - 60 days	8 533 835	5 751 344
61 - 90 days	7 367 677	5 145 497
91 - 120 days	285 729 826	236 223 709
	320 776 696	266 684 862
Less: Allowance for impairment	(226 134 990)	(205 168 671)
	94 641 706	**61 516 191**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(205 168 671)	(166 782 836)
Contributions to allowance	1 759 761	(17 842 102)
Vat amount included in provision	(22 726 081)	(20 543 733)
	(226 134 991)	**(205 168 671)**

Receivables with arrangements

Included in the above receivables from exchange transactions, is a number of consumers with whom arrangements have been made to pay the debt over a longer period. The information from the municipality system was not readily available to calculate the precise figures for the total amount outstanding and also to calculate the timing of the repayments from the consumers, the estimated receivables with arrangements, after impairment, is R 12.2 million (2014: R 2.1 million).

No receivables from exchange transaction have been pledged as collateral for liabilities of the municipality.

5. Inventories

Consumable stores	10 887 911	4 990 274
Water	276 609	231 693
Inventory on vacant land sites	107 535 200	106 862 500
	118 699 720	**112 084 467**

None of the inventories held by the municipality were measured at fair value less cost to sell.

Inventory held by the municipality were adjusted by R 5,897,637 in the current year (2014: adjusted by R 301,157).

No Inventories have been pledged as collateral for liabilities of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. Receivables from non-exchange transactions

Fines	4 575 960	2 413 826
Assessment Rates	14 128 265	11 738 775
Sundry receivables	726 685	1 356 123
	19 430 910	**15 508 724**

Assessment rates		
Gross balance	27 128 093	25 221 220
Less: Allowance for impairment	(12 999 828)	(13 482 445)
	14 128 265	**11 738 775**

Total		
Current (0-30 days)	2 378 158	-
31 - 60 days	958 089	-
61 - 90 days	704 042	-
91 - 120 days	10 087 976	-
	14 128 265	**-**

Residential		
Current (0-30 days)	1 958 500	-
31 - 60 days	775 300	-
61 - 90 days	385 900	-
91 - 120 days	18 135 393	-
Less: Impairment	(11 032 438)	-
	10 222 655	**-**

Industrial / commercial		
Current (0-30 days)	1 958 500	-
31 - 60 days	775 300	-
61 - 90 days	385 900	-
91 - 120 days	2 685 517	-
Less Impairment	(1 967 390)	-
	3 837 827	**-**

National and provincial government		
Current (0-30 days)	67 783	-
	67 783	-
	67 783	**-**

Fines		
Gross balance	5 914 737	3 167 250
Less: Impairment loss	(1 338 777)	(753 424)
	4 575 960	**2 413 826**

The fair value other receivables approximate their carrying values.

No receivable from non-exchange have been pledged as collateral for liabilities of the municipality.

Sundry receivables from non-exchange transactions consists of:

ESKOM Deposit	206 982	191 190
Fuel Deposit (Dakota Motors)	20 000	20 000

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

7. VAT receivable

VAT	-	13 465 587

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

8. Investments

Designated at fair value		
Senwes The fair value is based on quoted price from active markets for identical assets and is therefore a level 1	109 687	99 715
Senwesbel The fair value is based on quoted price from active markets for identical assets and is therefore a level 1	122 949	121 176
	232 636	**220 891**

Non-current assets		
Designated at fair value	232 636	220 891

Investments pledged as collateral

Collateral

Carrying value of investments pledged as collateral for liabilities or contingent liabilities	-	-
Amounts reclassified due to the right to sell or pledge the collateral	-	-

9. Heritage assets

	2015			2014		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage assets	2 163 451	-	2 163 451	2 163 451	-	2 163 451

Reconciliation of heritage assets 2015

	Opening balance	**Total**
Historical buildings	2 163 451	2 163 451

Reconciliation of heritage assets 2014

	Opening balance	**Prior period error**	**Total**
Historical buildings	885 650	1 277 801	2 163 451

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework, heritage asset with a carrying value of R - (2014: R -) was recognised at current replacement costs.

Due to initial adoption of GRAP 103

Steps taken to establish the values of heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103, is as follows:

The municipality is currently in the process of identifying all its heritage assets and ensuring that these assets are accounted for in the heritage asset register at appropriate values.

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

Deemed costs		
Aggregate of items valued using deemed cost	2 163 451	2 163 451

Deemed cost was determined using the current replacement cost (CRC).

10. Investment property

	2015			2014		
	Cost / Valuation	**Fair value adjustment**	**Carrying value**	**Cost / Valuation**	**Fair value adjustment**	**Carrying value**
Investment property	126 494 671	-	126 494 671	121 783 442	-	121 783 442

Reconciliation of investment property - 2015

	Opening balance	**Fair value adjustments**	**Total**
Investment property	121 783 442	4 711 229	126 494 671

10. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Prior Period Error	Fair value adjustments	Total
Investment property	114 973 505	2 593 427	4 216 510	121 783 442

Pledged as security

There are currently no restrictions on Investment Property as they have not being pledged as securities for liabilities.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation for the acquisition of Investment Property.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	71 658 190	-	71 658 190	71 658 190	-	71 658 190
Buildings	107 503 015	(32 250 904)	75 252 111	107 503 015	(30 100 844)	77 402 171
Plant and machinery	5 257 236	(3 290 485)	1 966 751	4 682 171	(2 899 034)	1 783 137
Furniture and fixtures	3 589 959	(2 553 427)	1 036 532	3 364 414	(2 339 277)	1 025 137
Motor vehicles	42 941 118	(33 021 170)	9 919 948	41 793 175	(29 762 637)	12 030 538
Office equipment	14 954 507	(14 188 112)	766 395	14 779 035	(13 988 805)	790 230
IT equipment	7 656 821	(4 392 728)	3 264 093	5 691 727	(3 831 540)	1 860 187
Infrastructure	4 227 755 928	(2 056 148 012)	2 171 607 916	4 140 537 543	(1 954 657 535)	2 185 880 008
Community	121 472 584	(52 583 775)	68 888 809	121 435 143	(49 854 876)	71 580 267
Capital work in progress	67 667 979	-	67 667 979	83 342 180	-	83 342 180
Total	**4 670 457 337**	**(2 198 428 613)**	**2 472 028 724**	**4 594 786 593**	**(2 087 434 548)**	**2 507 352 045**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	71 658 190	-	-	-	-	71 658 190
Buildings	77 402 171	-	-	-	(2 150 060)	75 252 111
Plant and machinery	1 783 137	583 124	(5 628)	-	(393 882)	1 966 751
Furniture and fixtures	1 025 137	225 545	-	-	(214 150)	1 036 532
Motor vehicles	12 030 538	1 190 585	(4 264)	-	(3 296 911)	9 919 948
Office equipment	790 230	183 466	(800)	-	(206 501)	766 395
IT equipment	1 860 187	1 998 938	(14 132)	-	(580 900)	3 264 093
Infrastructure	2 185 880 008	399 432	-	86 818 952	(101 490 476)	2 171 607 916
Community	71 580 267	37 441	-	-	(2 728 899)	68 888 809
Capital work in progress	83 342 180	71 144 751	-	(86 818 952)	-	67 667 979
	2 507 352 045	**75 763 282**	**(24 824)**	**-**	**(111 061 779)**	**2 472 028 724**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Prior period error	Depreciation	Total
Land	8 493 631	-	-	-	63 164 559	-	71 658 190
Buildings	87 955 042	-	-	-	(8 402 811)	(2 150 060)	77 402 171
Plant and machinery	1 648 115	256 036	-	-	303 105	(424 119)	1 783 137
Furniture and fixtures	1 127 041	117 549	-	-	-	(219 453)	1 025 137
Motor vehicles	15 192 431	180 989	(21 513)	-	-	(3 321 369)	12 030 538
Office equipment	951 506	89 643	-	-	-	(250 919)	790 230
IT equipment	1 935 748	512 829	(12 670)	-	-	(575 720)	1 860 187
Infrastructure	1 469 907 004	-	-	68 799 776	746 789 071	(99 615 843)	2 185 880 008
Community	114 035 703	-	-	2 470 978	(42 219 219)	(2 707 195)	71 580 267
Capital work in progress	74 467 412	78 707 881	-	(71 270 754)	1 437 641	-	83 342 180
	1 775 713 633	**79 864 927**	**(34 183)**	**-**	**761 072 346**	**(109 264 678)**	**2 507 352 045**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

11. Property, plant and equipment (continued)

Pledged as security

There are currently no restrictions on property, plant and equipment as they have not being pledged as securities for liabilities.

Other information

The entity currently has the following capital commitments with regards to capital expenditure on infrastructure assets		
Approved and contracted for	85 218 465	18 775 760

The following amounts have been included in Other Income which relates to damaged, lost or given up property, plant and equipment.		
Proceeds received from Insurers	1 549 423	336 394

The following amounts relates to leased assets held by the entity included in property, plant and equipment		
Motor vehicles	-	-
Office Equipment	-	-
	-	**-**

Lease liability (refer to note 15)		
Motor vehicle	-	(66 831)
Office equipment	-	(34 268)
	-	**(101 099)**

Property, Plant and Equipment fully depreciated and still in use (Gross Carrying)

Office equipment	13 780 634	12 969 568
Plant and machinery	2 108 057	1 616 282
Motor vehicles	18 082 976	16 264 867
Furniture and fixtures	1 803 891	1 554 324
IT equipment	3 370 647	1 979 075
	39 146 205	**34 384 116**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Capital work in progress refers to infrastructure projects which are still in the process of being completed.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Intangible assets

	2015			2014		
	Cost	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	4 290 284	(3 500 311)	789 973	4 296 117	(3 361 689)	934 428

Reconciliation of intangible assets - 2015

	Opening balance	**Amortisation**	**Total**
Computer software	934 428	(144 455)	789 973

Reconciliation of intangible assets - 2014

	Opening balance	**Additions**	**Prior period error**	**Amortisation**	**Total**
Computer software	1 055 441	78 300	(10 832)	(188 481)	934 428

Other information

There were no intangible assets that were assessed as having an indefinite useful live.

There are no intangible assets who's title is restricted or pledge as security for municipality's liabilities.

There are no contractual commitments for the acquisition of intangible assets.

13. Employee benefit obligations

Defined benefit plan

The defined benefit plan, consists of the Free State Municipal Pension Fund and Councillors Pension Fund governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement medical aid plan

The Municipality’s current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme;
- Hosmed Medical Scheme
- Samwumed Medical Scheme; and
- Key Health Medical Scheme

Figures in Rand	2015	2014

13. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(38 911 000)	(48 224 000)
Current service costs	(478 000)	(430 000)
Interest costs	(3 250 000)	(3 848 000)
Actuarial gains / (loss)	(3 008 000)	12 038 000
Benefit payments	3 086 000	1 553 000
	(42 561 000)	**(38 911 000)**

The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:		
In-service members (employees)	22	25
Continuation members (e.g: Widows, orphans, pensioners)	67	64
	89	**89**

Net expense recognised in the statement of financial performance

Current service cost	(478 000)	(430 000)
Interest cost	(3 250 000)	(3 848 000)
Expected return on plan assets	-	-
Actuarial (gains) / losses	(3 008 000)	12 038 000
Change in asset ceiling	-	-
Cash movement	-	-
Benefit payments	3 086 000	1 553 000
Employer contributions	-	-
	(3 650 000)	**9 313 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rate used	8.52 %	8.59 %
Health care cost inflation	7.76 %	7.86 %
Net discount rate	0.71 %	0.68 %

The basis used to determine the overall expected rate of return on assets is as follow:

In line with IAS 19 and current market practice, government bond yields are used as the South African corporate bond market is not considered to be sufficiently developed. Furthermore, it is One Pangaea Financial's view that South Africa does not have a deep and liquid market in corporate bonds, and therefore government bonds are used when setting our best-estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post employment benefit obligations.

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 10.8 years, the expected duration of the liability based on the current membership data, as at 30 June 2015.

The expected benefit payments over the next annual reporting period is reflected in the table below.	
Balance at 30 June 2015	(42 561 000)
Projected expenditure excluding actuarial (gains) / losses	(3 981 000)
Expected benefit payments	2 642 000
Expected as at 30 June 2016	**(43 900 000)**

Figures in Rand	2015	2014

13. Employee benefit obligations (continued)

Retirement Benefit Information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below.

Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund
- Maokeng Provident Fund; and
- SAMWU National Provident Fund.

Defined benefit plans

The following are defined benefit plans:

- Government Employees Pension Fund;
- SALA Pension Fund; and
- Free State Municipal Pension Fund.

These are not treated as a defined benefit plan as defined by IAS 19, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009:R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million).

The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

14. Consumer deposits

Kroonstad	12 146 690	9 214 943

Consumer deposits are raised when a service account is opened and is refunded to the consumer after the account is closed.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. Finance lease obligation

Minimum lease payments due		
- within one year	17 125	100 086
- in second to fifth year inclusive	-	17 125
	17 125	117 211
less: future finance charges	-	(16 111)
Present value of minimum lease payments	**17 125**	**101 100**

Non-current liabilities	-	17 125
Current liabilities	17 125	83 975
	17 125	**101 100**

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

Finance lease obligation - motor vehicles minimum lease payments due		
- within one year	82 451	82 451
Subtotal	82 451	82 451
Less: Future finance charges	(15 620)	(15 620)
Present value of minimum lease payments	**66 831**	**66 831**

Interest rates for leased motor vehicles are linked to prime at the contract date. No arrangements have been made to enter into contingent rent.

Finance lease obligation - equipment minimum lease payments due		
- within one year	17 905	17 635
- in second to fifth year inclusive	-	17 125
Subtotal	17 905	34 760
Less: Future finace charges	(780)	(491)
Present value of minimum lease payments	**17 125**	**34 269**

Interest rates for leased equipment are fixed at the contract date. Lease payments escalate between 10% - 15% per annum and no arrangements have been entered into for contingent rent.

16. Other financial liabilities

At amortised cost		
Annuity loans - Development Bank of South Africa	24 793 551	25 856 332

The loan is unsecured and payable quarterly at variable prime interest rates.

Non-current liabilities		
At amortised cost	23 651 077	23 597 764
Current liabilities		
At amortised cost	1 142 474	2 258 568

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

17. Payables from exchange transactions

Other payables	74 967 630	88 430 781
Payments received in advance	5 500 417	5 378 456
Annual bonus accrual	4 107 433	3 816 158
Leave pay accrual	13 976 291	10 653 466
Deposits received	27 595	2 645
Retention creditors	6 275 861	4 492 731
	104 855 227	**112 774 237**

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
LGSETA Grant	474 433	909 056
Department of energy (DOE)	211 290	7 052 842
Financial Management grant (FMG)	-	281
Municipal System Improvement Grant (MSIG)	-	10 089
Department of local government (DPLG)	1 147 622	1 147 622
	1 833 345	**9 119 890**

Movement during the year		
Balance at the beginning of the year	9 119 890	2 899 364
Additions during the year	69 311 843	259 056 042
Income recognition during the year	(73 054 388)	(248 333 016)
Repayment during the year	(3 544 000)	(4 502 500)
	1 833 345	**9 119 890**

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance is recognised as a liability until such time that the conditions are met. Once the conditions are met it is recognised as revenue.

See note 23 for reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

19. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Utilised during the year	Interest cost	Total
Provision for the rehabilitation cost of landfill sites	11 907 880	(654 352)	187 675	11 441 203
Provision for the rehabilitation cost of quarries	3 927 604	(121 257)	62 858	3 869 205
Funeral assistance	132 000	(7 000)	-	125 000
Long service bonus	13 955 000	(8 371)	1 032 000	14 978 629
	29 922 484	**(790 980)**	**1 282 533**	**30 414 037**

Reconciliation of provisions - 2014

	Opening Balance	contributions	Interest cost	Total
Provision for the rehabilitation cost of landfill sites	3 232 798	8 635 550	39 532	11 907 880
Provision for the rehabilitation cost of quarries	1 608 107	2 306 458	13 039	3 927 604
Funeral assistance	141 000	(9 000)	-	132 000
Long service bonus	12 734 000	276 000	945 000	13 955 000
	17 715 905	**11 209 008**	**997 571**	**29 922 484**

Rehabilitation of landfill sites and quarries
In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus.

Funeral Death Benefit
The funeral death benefit scheme was initiated by the Municipality for its employees who were appointed prior to 1996. The scheme is only open to municipal employees, and payout's are only made to employees who die in the service of the Municipality.

Long service award (LSA)

The provision relates to the Long Service Award obligation for the municipal employees. The actuarial valuation was performed in line with the requirements of IAS 19.

Amounts recognised in the statement of Financial Performance are as follows:	2015	2014
Current service cost	(856 000)	(1 198 000)
Interest cost	(1 032 000)	(945 000)
Expected return on plan assets	-	-
Actuarial gains/(losses)	867 000	(140 000)
Change in asset ceiling	-	-
Cash movements	-	-
Benefit payments	2 550 000	1 062 000
Employer contributions	-	-
Net Expenditure recognised in the statement of Financial Performance	**1 529 000**	**(1 221 000)**

Summary of liability for landfill site costs	2015	2014
Kroonstad Landfill Site	6 010 844	6 282 719
Steynsrus Landfill Site	1 861 990	1 934 086
Viljoenskroon Landfill Site	3 568 369	3 691 075
Kroonstad gravel quarry	3 003 867	3 031 268
Steynsrus gravel quarry	865 338	896 336
Interest cost	250 533	52 571
	15 560 941	**15 888 055**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

19. Provisions (continued)

Amounts recognised in the statement of Financial Position are as follows:

Defined benefit obligation	(13 955 000)	(12 734 000)
Plan assets	-	-
Movement in provision	1 529 000	(1 221 000)
Net obligation recognised in the Statement of Financial Position	**(12 426 000)**	**(13 955 000)**

Key assumptions used:

Assumptions used at the reporting date:

Discount rates used	8.20%	8.10%
Salary inflation	6.97%	7.15%
Net discount rate	1.15%	0.89%

The basis on which the discount rate has been determined is as follow:

The discount rate used in the valuation is our best estimate assumption of a CPI inflation rate, consistent with the gross discount rate, is determined with reference to the difference between the yields on government conventional and index-linked bonds as at valuation date, adjusted by a liquidity risk premium of 0.35%. A 2% margin is added to these estimates to arrive at the best estimate assumption for a salary inflation.

20. VAT payable

VAT	3 228 217	-

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

Figures in Rand	2015	2014

21. Financial instruments disclosure

The accounting policies for financial instruments have been applied to the line items below:

2015

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	94 641 706	-	94 641 706
Other receivables from non-exchange transactions	-	19 430 910	-	19 430 910
Cash and cash equivalents	-	-	15 384 837	15 384 837
Short term deposit	-	-	15 161 549	15 161 549
Investments	232 636	-	-	232 636
Vat receivables	-	-	-	-
	232 636	**114 072 616**	**30 546 386**	**144 851 638**

Financial liabilities

	At amortised cost	Total
Consumer deposits	12 146 690	12 146 690
Finance lease obligation	101 100	101 100
Short-term loans	-	-
Provisions	30 414 037	30 414 037
Payables from exchange transactions	104 111 291	104 111 291
Unspent conditional grants and receipts	1 833 345	1 833 345
	148 606 463	**148 606 463**

2014

Financial assets

	At amortised cost	At cost	Total
Cash and cash equivalents	-	6 320 370	6 320 370
Short-term deposit	-	15 869 263	15 869 263
Receivables from exchange transactions	61 516 191	-	61 516 191
Investments	-	283 543	283 543
Other receivables from non-exchange transactions	17 626 898	-	17 626 898
Vat receivables	8 202 493	-	8 202 493
	87 345 582	**22 473 176**	**109 818 758**

Financial liabilities

	At amortised cost	Total
Consumer deposits	9 214 943	9 214 943
Finance lease obligation	101 100	101 100
Short-term loans	25 856 332	25 856 332
Provisions	29 922 484	29 922 484
Payables from exchange transactions	112 774 237	112 774 237
Unspent conditional grants and receipts	9 119 890	9 119 890
	186 988 986	**186 988 986**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Revenue

Service charges	361 705 545	320 555 372
Rental of facilities and equipment	3 746 133	4 112 344
Fees earned	753 375	781 668
Discount received	161 947	133 691
Other income	8 355 000	8 446 846
Interest received	12 281 949	7 792 205
Dividends received	11 421	12 234
Property rates	47 515 687	41 792 931
Government grants and subsidies	240 348 389	262 635 516
Fines	4 545 114	4 029 715
	679 424 560	**650 292 522**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	361 705 545	320 555 372
Rental of facilities and equipment	3 746 133	4 112 344
Fees earned	753 375	781 668
Discount received	161 947	133 691
Other income	8 355 000	8 446 846
Interest received	12 281 949	7 792 205
Dividends received	11 421	12 234
	387 015 370	**341 834 360**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	47 515 687	41 792 931
Transfer revenue		
Government grants & subsidies	240 348 389	262 635 516
Fines	4 545 114	4 029 715
	292 409 190	**308 458 162**

23. Government grants and subsidies

Equitable share	167 294 000	164 486 000
Municipal System Improvement grant (MSIG)	944 089	879 911
LG SETA grant	709 814	420 050
Municipal Infrastructure grant (MIG)	38 123 000	44 524 000
Rehabilitation of sewerage network - DWA	18 184 653	11 931 538
Financial Management grant (FMG)	1 600 281	1 549 719
Intergrated National Electrification grant	12 297 552	28 044 298
Expanded Public Works Program grant (EPWP)	1 195 000	1 000 000
Fezile Dabi Grant - Outfall Sewer in Maokeng	-	9 800 000
	240 348 389	**262 635 516**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

23. Government grants and subsidies (continued)

Equitable share

Balance unspent at beginning of year	-	-
Current-year receipts	167 294 000	164 486 000
Conditions met - transferred to revenue	(167 294 000)	(164 486 000)
Unspent grant	**-**	**-**

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Current-year receipts	38 123 000	44 524 000
Conditions met - transferred to revenue	(38 123 000)	(44 524 000)
Unspent grant	**-**	**-**

The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.

LG SETA grant

Balance unspent at beginning of year	909 056	1 122 603
Current-year receipts	275 190	206 503
Conditions met - transferred to revenue	(709 813)	(420 050)
Unspent grant	**474 433**	**909 056**

Conditions still to be met - remain liabilities (see note 18).

The grant is used for training municipality staff to enhance their skills in their respective positions.

Department of Energy grant

Balance unspent at beginning of year	7 052 842	521 477
Current-year receipts	9 000 000	39 000 000
Conditions met - transferred to revenue	(12 297 552)	(28 044 297)
Repayment of grant - conditions not met	(3 544 000)	(4 424 338)
Unspent grant	**211 290**	**7 052 842**

Conditions still to be met - remain liabilities (see note 18).

The purpose of the grant is to facilitate the municipality electrical infrastructure needs.

Extended Public Works Program grant

Balance unspent at beginning of year	-	107 662
Current-year receipts	1 195 000	1 000 000
Conditions met - transferred to revenue	(1 195 000)	(1 000 000)
Repayment of grant - conditions not met	-	(107 662)
Unspent grant	**-**	**-**

This grant is used in respect of job creation projects and programmes.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

23. Government grants and subsidies (continued)

Rehabilitation of sewerage network - DWA Grant

Current-year receipts	18 184 653	11 951 561
Conditions met - transferred to revenue	(18 184 653)	(11 951 561)
Unspent grant	**-**	**-**

Finance Management grant

Balance unspent at beginning of year	281	-
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 281)	(1 549 719)
Unspent grant	**-**	**281**

This grant is to be used to train and appoint intern staff members in the finance department of the municipality.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	10 089	-
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(944 089)	(879 911)
Unspent grant	**-**	**10 089**

The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of approved restructuring plans that addresses challenges in a sustainable manner.

Department of local governtment (DPLG)

Balance unspent at beginning of year	1 147 622	1 147 622
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Unspent grant	**1 147 622**	**1 147 622**

Conditions still to be met - remain liabilities (see note 18).

This grant is to be used to assist with the development of urban renewal.

Fezile Dabi - Outfall Sewer Maokeng

Balance unspent at beginning of year	-	-
Current-year receipts	-	9 800 000
Conditions met - transferred to revenue	-	(9 800 000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

24. Property rates

Rates received

Residential	46 927 594	39 384 201
State	11 300 859	10 460 675
Less: Income forgone	(10 712 766)	(8 051 945)
	47 515 687	**41 792 931**

Valuations

Commercial	4 952 173 847	1 004 782 590
Multi-purpose	30 890 001	70 190 001
Municipal	287 143 842	304 013 844
Non-ratable	180 000 507	180 240 507
Residential	3 859 800 478	7 747 633 035
State	1 007 594 347	988 716 043
	10 317 603 022	**10 295 576 020**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R0.004 (2014: R0.004) is applied to property valuations to determine assessment rates. The first R50 000 of residential property is exempt from taxation. Rebates of 20% are granted to state property owners.

Rates are levied on a monthly basis. Interest at prime plus 1% per annum (2014: prime +1%) is levied on rates outstanding two months after due date.

25. Service charges

Sale of electricity	235 650 647	214 176 780
Sale of water	83 100 361	69 781 857
Sewerage and sanitation charges	25 822 136	23 310 657
Refuse removal	17 132 401	13 286 078
	361 705 545	**320 555 372**

26. Rental income

Facilities and equipment		
Rental of facilities	3 746 133	4 112 344

27. Fees earned

Administrative and management fees	753 375	781 668

Figures in Rand	2015	2014
28. Interest and dividends received		
Dividend received		
Unlisted shares	11 421	12 234
Interest received		
Bank	2 501 135	1 529 588
South African Revenue Service (SARS)	1 524 505	1 258 579
Receivables from exchange transactions	8 256 309	5 004 038
	12 281 949	**7 792 205**
	12 293 370	**7 804 439**

All amounts above included in Investment revenue arises from exchange transactions.

29. Other income

Advertisements	400	1 200
Advertising signs	75 284	74 484
Building plans and inspection fees	130 474	112 414
Burial income	927 499	881 306
Clearance certificates	156 341	153 595
Commission premiums	226 137	201 797
Connection fees	1 772 029	1 155 325
Erven sales	54 314	96 175
Escort fees	4 860	3 947
Fire brigade fees	104 239	145 656
Hostel fees	41 255	40 727
Insurance claims	1 549 423	336 394
Railway siding industrial	465 592	669 210
Rescue and assistance fees	487 404	684 919
Special services	15 513	19 134
Sundry income	1 100 594	1 173 657
Telephone costs recovered	248 026	247 545
Unclaimed deposits	950 700	2 400 619
Water valuation adjustments	44 916	48 742
	8 355 000	**8 446 846**

30. Discount received

Discount received consists of:		
SALGA	-	133 691
Suppliers	161 947	-
	161 947	**133 691**

31. Fines

Fines consists of		
Traffic fines	4 263 300	3 785 137
Library and lost books	2 089	4 227
Tampered meters	279 725	240 351
	4 545 114	**4 029 715**

Figures in Rand	2015	2014

32. Employee related costs

Basic	101 074 867	95 860 187
Bonus	7 828 776	7 406 457
Medical aid - company contributions	12 302 432	11 712 264
UIF	1 033 286	1 011 395
SDL	1 415 182	1 382 325
Other payroll levies	1 756 486	1 753 831
Leave pay provision charge	6 430 285	2 138 794
Defined contribution plans	17 908 474	16 786 794
Overtime payments	15 131 166	13 316 917
Car allowance	7 865 042	7 610 608
Housing benefits and allowances	826 636	797 763
Other allowances	715 586	701 937
Telephone allowance	361 388	375 285
Standby allowance	1 429 869	1 259 969
	176 079 475	**162 114 526**

The salaries, allowances and benefits of staff disclosed are within the upper limits of the SALGA bargaining council determinations.

Remuneration of Municipal Manager

Annual Remuneration	848 407	781 500
Contributions to UIF, Medical and Pension Funds	44 839	16 015
Allowances	552 517	555 235
Travel and subsistence	20 225	40 792
Skills development levy	13 392	12 479
	1 479 380	**1 406 021**

Remuneration of Chief Financial Officer

Annual Remuneration	712 662	390 653
Contributions to UIF, Medical and Pension Funds	144 262	65 425
Allowances	354 143	207 673
Travel and subsistence	34 283	8 979
Skills development levy	9 816	5 472
	1 255 166	**678 202**

Remuneration of executive directors

Executive Director: Technical Services

Annual Remuneration	705 200	656 460
Allowances	520 392	469 905
Contributions to UIF, Medical and Pension Funds	2 083	1 785
Travel and subsistence	11 442	14 524
Skills development levy	8 595	10 375
	1 247 712	**1 153 049**

Figures in Rand	2015	2014

32. Employee related costs (continued)

Executive Director: Corporate Services

Annual Remuneration	712 662	656 460
Allowances	344 273	337 149
Contributions to UIF, Medical and Pension Funds	144 931	134 541
Travel and subsistence	14 332	17 100
Skills development levy	9 725	9 185
	1 225 923	**1 154 435**

Acting

Annual remuneration		54 635
Acting allowance	-	32 720

Executive Director: Community Services

Annual Remuneration	712 662	656 460
Allowances	463 700	403 019
Contributions to UIF, Medical and Pension Funds	29 919	26 815
Travel and subsistence	4 510	16 767
Skills development levy	11 804	10 901
	1 222 595	**1 113 962**

Acting

Annual remuneration	123 060	
Acting allowance	99 311	

33. Remuneration of councillors

Executive Major	456 137	395 042
Mayoral Committee Members	3 939 535	3 349 430
Speaker	357 663	332 225
Councillors	9 709 820	10 038 633
Councillors' pension contribution	2 293 500	2 169 523
	16 756 655	**16 284 853**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are employed on a full-time basis. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties.

The Mayor has one full-time bodyguard and a driver.

The Speaker has the use of a Council owned vehicle for official duties.

Figures in Rand	2015	2014

33. Remuneration of councillors (continued)

Executive Mayor - Cllr J Mohapi (Resigned 21 May 2014)

Basic Salary	-	432 040
Car Allowance	-	156 558
Social Contributions	-	89 327
Cellphone Allowance	-	18 568
	-	**696 493**

Excecutive Mayor - Cllr J Mareka (Appointed 03 June 2014)

Basic Salary	471 515	366 222
Car Allowance	186 507	135 628
Social Contributions	102 859	83 420
Cellphone Allowance	20 868	20 868
	781 749	**606 138**

Speaker - Cllr ACWD Nakedi

Basic Salary	374 206	381 522
Car Allowance	149 206	140 760
Social Contributions	94 203	106 568
Cellphone Allowance	20 868	20 868
	638 483	**649 718**

Mayoral Committee Members (MMC)

MMC - COMMUNITY SERVICES: Cllr S Mokoena

Basic Salary	349 880	349 960
Car Allowance	139 882	129 395
Social Contributions	68 602	76 940
Cellphone Allowance	24 468	28 068
	582 832	**584 363**

MMC - TECHNICAL SERVICES: Cllr MP Thipane

Basic Salary	349 880	349 960
Car Allowance	139 882	129 395
Social Contributions	91 542	80 771
Cellphone Allowance	24 468	28 068
	605 772	**588 194**

MMC - IDP AND PLANNING: Cllr DA Tau

Basic Salary	349 880	349 960
Car Allowance	139 882	129 395
Social Contributions	94 756	80 771
Cellphone Allowance	24 468	28 068
	608 986	**588 194**

MMC - PUBLIC SAFETY: Cllr ER Moletsane

Basic Salary	349 960	349 960
Car Allowance	139 882	129 395
Social Contributions	22 144	73 346
Cellphone Allowance	24 468	28 068
	536 454	**580 769**

Figures in Rand	2015	2014

33. Remuneration of councillors (continued)

MMC - PERSONNEL AND ADMINISTRATION: Cllr TM Mkhwanazi

Basic Salary	334 388	122 674
Car Allowance	142 740	52 785
Social Contributions	80 180	39 761
Cellphone Allowance	24 468	28 068
	581 776	**243 288**

MMC - RURAL DEVELOPMENT AND LAND REFORM: Cllr MLM Machobane

Basic Salary	349 880	349 960
Car Allowance	139 882	129 395
Social Contributions	74 787	73 345
Cellphone Allowance	24 468	28 068
	589 017	**580 768**

MMC - HUMAN SETTLEMENT: Cllr ME Mokotla

Basic Salary	349 960	349 960
Car Allowance	139 882	129 395
Social Contributions	7 537	75 088
Cellphone Allowance	24 468	28 068
	521 847	**582 511**

MMC - SPORT, ARTS, CULTURE & RECREATION: Cllr ZS Magadlela

Basic Salary	349 880	374 803
Car Allowance	139 882	121 273
Social Contributions	11 247	30 242
Cellphone Allowance	21 165	28 068
	522 174	**554 386**

MMC - COUNCIL WHIP: Cllr MA Koloi

Basic Salary	349 880	349 960
Car Allowance	139 882	129 395
Social Contributions	153 808	88 630
Cellphone Allowance	24 468	28 068
	668 038	**596 053**

MMC - LOCAL ECONOMIC DEVELOPMENT & INVESTMENT: Cllr TL Makau

Basic Salary	349 880	349 960
Car Allowance	139 882	129 395
Social Contributions	77 766	70 601
Cellphone Allowance	24 468	28 068
	591 996	**578 024**

MMC - FINANCE, AUDIT AND RISK MANAGEMENT: Cllr D Colbert

Basic Salary	349 880	349 960
Car Allowance	139 882	129 395
Social Contributions	85 175	89 229
Cellphone Allowance	24 468	28 068
	599 405	**596 652**

Figures in Rand	2015	2014

33. Remuneration of councillors (continued)

PART TIME COUNCILLORS
Cllrs' A Masuret, AH Viljoen, AMS Dire, JM Hattingh, MA Monoto, MJ Mofokeng, MD Mbono, FM Taje, DM Shahim, GV Wille, NW Mkhotheni, EM Notsi, MM Green, DM Kubheka, LD Kgang, MJ Sethabela, B Rooskrans, NM Selikoe, ME Letsitsa, DA Moeketsi, LM Seleke, MI Thajane, WL Makoele, CM Dalton, MJ Lithupa, DN Nzunga,J Geldenhuis, SV Khiba, TJ Leokaoke, DM Malinga, NP Mokodutlo, PJ Phooko, VPM Twapa, SB Tladi, M Vermeulen

	2015	2014
Basic Salary	5 190 396	4 850 837
Car allowance	2 311 016	2 159 828
Social Contribution	1 704 593	1 593 078
Cellphone Allowance	1 071 362	1 001 273
	10 277 367	**9 605 016**

MPAC CHAIRPERSON: ME Mokodutlo

	2015	2014
Basic Salary	349 880	374 803
Car allowance	139 882	121 273
Social Contribution	8 965	30 242
Cellphone Allowance	24 468	26 068
	523 195	**552 386**

34. Debt impairment

	2015	2014
Debt impairment	23 422 009	46 384 174
Fines - impairment	1 338 777	753 424
	24 760 786	**47 137 598**

35. Depreciation and amortisation

	2015	2014
Property, plant and equipment	111 061 780	109 264 678
Intangible assets	144 454	188 481
	111 206 234	**109 453 159**

36. Finance costs

	2015	2014
Interest on landfill sites and quarries	250 533	52 571
Interest on late payment of creditors	309 955	3 002 974
Interest paid - SARS	5 099	-
Interest on finance leases	-	20 141
Interest on annuity loans	2 293 347	3 891 693
Interest on employee benefits	4 282 000	4 793 000
	7 140 934	**11 760 379**

37. Contracted services

	2015	2014
Specialist services	17 178 842	9 984 328
Other contractors	1 828 586	1 635 677
	19 007 428	**11 620 005**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

38. Repairs and maintenance

Repairs and maintenance consists of:

Buildings	2 277 315	1 040 108
Furniture and Office equipment	746 285	1 005 486
Plant and Machinery	1 975 780	1 566 051
Network maintenance	37 110 452	29 237 922
Street and storm water drainage	3 637 657	3 424 364
Tools	155 729	119 232
Vehicles	7 575 858	3 507 366
	53 479 076	**39 900 529**

39. Grants and subsidies paid

Grant Expenditure - LG SETA	760 359	383 662
FMG Grant Expenditure	1 480 431	1 215 575
MSIG Grant Expenditure	707 661	190 281
EEDSM Grant	-	2 685 599
	2 948 451	**4 475 117**

40. Bulk purchases

Electricity	182 641 583	169 310 034
Water	3 526 474	1 870 344
	186 168 057	**171 180 378**

41. Gains / (loss) on disposal of assets

Property, plant and equipment	(24 823)	(34 182)

IT Equipment	(14 132)	(12 669)
Office Equipment	(800)	-
Plant and Machinery	(5 627)	-
Vehicles	(4 264)	(21 513)
	(24 823)	**(34 182)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

42. General expenses

Advertising	543 012	268 406
Assets expensed	230	65
Auditors remuneration	6 703 105	5 566 080
Bank charges	2 223 119	1 840 078
Chemicals	4 475 153	2 813 450
Cleaning	335 425	259 894
Commission paid	4 027 028	3 925 800
Committee expenses	2 074 991	1 505 991
Travel and subsistence	1 894 875	896 276
Consulting and professional fees	6 050 422	4 060 764
Consumables	156 046	87 358
Entertainment	894 971	163 231
Penalties - SARS	30 538	-
Fuel and oil	6 171 018	5 893 888
Funeral expenses	163 530	41 042
Lease rentals on operating lease	5 820 114	8 257 122
Indigent contributions	18 449 017	8 279 045
Insurance	3 511 673	7 102 638
Licences - other	1 522 039	987 659
Licences - vehicles	395 109	363 904
Medical expenses	6 215	60 498
Other expenses	495 104	598 305
Postage and courier	1 387 179	1 223 759
Pre-paid meters	555 083	684 070
Printing and stationery	2 216 872	1 864 653
Provision for rehabilitation adjustment	(775 609)	10 942 008
Protective clothing	1 067 601	226 092
Special programs	485 431	301 098
Subscriptions and membership fees	1 128 386	3 837 237
Telephone and fax	2 090 762	1 219 206
Traffic signs	209 907	144 562
Training	118 821	32 358
Valuation roll	147 377	150 967
Workmen's compensation	236 691	884 369
	74 811 235	**74 481 873**

43. Auditors' remuneration

Fees	6 703 105	5 566 080

44. Fair value adjustments

Investment property (Fair value model)	4 711 228	4 216 510
Investment in shares	11 745	6 110
	4 722 973	**4 222 620**

Figures in Rand	2015	2014

45. Cash generated from operations

Surplus / (deficit)	10 867 379	18 957 547
Adjustments for:		
Depreciation and amortisation	111 206 234	109 453 159
Loss on disposal of property, plant and equipment	24 823	34 181
Retirement benefits - acturial gains	897 000	(12 885 000)
Fair value adjustments	(4 722 973)	(4 222 620)
Debt impairment	24 760 786	47 137 598
Movements in retirement benefit assets and liabilities	3 650 000	3 432 000
Movements in provisions	491 553	12 066 579
Changes in working capital:		
Inventories	(6 615 253)	(349 899)
(increase) / decrease in receivables from exchange transactions	753 424	(49 259 690)
Other receivables from non-exchange transactions	(2 956 952)	(1 679 467)
Payables from exchange transactions	(65 476 968)	(44 807 435)
VAT	16 693 804	10 943 224
Unspent conditional grants and receipts	(7 286 545)	6 220 526
Consumer deposits	2 931 747	393 534
	85 218 059	**95 434 237**

46. Contingencies

Contingent liabilities - pending claims

The municipality is being sued for some of the following pending claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

Contingent liabilities		
Claims by individuals due to damage of property in various incidents	1 985 931	91 719
Claims from suppliers - contractual disputes	206 000	28 776 533
Leave accrual	5 148 824	2 178 138
	7 340 755	**31 046 390**

Contingent assets

The contingent asset is as a result of employees who exceeded their leave days as at 30 June 2015. This is as a result of the variance in the leave cycles of the respective employees.

Contingent assets		
Leave accrual	3 758	89 444

47. Related parties

The municipality did not enter into any related party transactions during the year under review, which were not at arm's length.

Key management information

Class	Number
Section 57 managers	4
Executive Mayor	1
Councillors	49
Municipal Manager	1

Figures in Rand	2015	2014

48. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 23 Fines

Fines GRAP 23

During the year, the municipality changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis.

The reason for the change in accounting policy is as a result of an accounting guideline issued by National Treasury, which will have an impact on the application of GRAP 23 in the 2013 financial year. The change in accounting policy will result in a fair presentation of financial information.

The comparative amounts were restated accordingly.

49. Change in estimate

Unspent conditional grants

A portion of the government grant was repaid, as conditions relating to its use had not been met as required. The cumulative adjustment to the unspent conditional grant (deferred income amortised) has been recognised in the current year.

The repayment of these grants resulted in adjustments as follows:

	2015	2014
Department of energy grant (DOE)		
Before repayment	3 987 898	11 477 180
After repayment	(443 898)	(7 052 842)
	3 544 000	**4 424 338**

	2015	2014
Extended public works program grant (EPWP)		
Repayment	-	78 162

The decrease in amortisation during the current year is R 3,544,000 (2014 - R 4,502,500). There is no decrease in future amortisation as a result of the repayment made.

50. Prior period errors

A number of prior period errors were corrected during the year ending 30 June 2015. The details of the retrospective prior errors adjusted are reflected below.

Summary

Depreciation - The amount of depreciation as per the statement of financial performance did not agree to the property, plant and equipment note and the assests register. Thus, depreciation was overstated in the prior period, the amount was corrected retrospectively during the year under review. This was as a result of an entry passed against opening accumulated surplus in correcting depreciation from infrastructure asset amounting to R8 891,607.

Depreciation - IT Equipment which was purchased on the Department of Energy project in 2014 financial year was still under work in progress. The re-allocation from work in progress to IT Equipment resulted in the recognition of depreciation of this equipment amounting to R990.

Property, plant and equipment - Security fire arms purchased in the prior years at a cost of R473,600 was never included in the assets register and never capitalised on the ledger. The assets were capitalised and depreciated since date of purchase. The accumulated depreciation for the year ending June 2014 was R198,912.

During the financial year 2014/15 the fixed asset register was reconstructed to address the disclaimer issues identified on Property, Plant and Equipment. The reconstruction included property register which includes Land, Buildings and Community assets. The infrastructure assets and community assets registers were also reconstructed to address the valuation, completeness, and physical verification deficiencies. This resulted in an increase in property, plant and equipment of R761,072,346 as shown under note 10.

Intangible assets, **Amortisation** - On 15 September 2010 the VIP payroll system was recognised as an asset. The system was however never implemented as it was not compatible. Amortisation was however calculated on the system from the 2011 financial year. The asset did not meet the recognition criteria. Thus, the transaction should have been expensed in 2011 and retrospective adjustments were performed during the year. The 2014 amortisation was decreased by R5000 and Intangible assets decreased by R10,5833 against opening accumulated surplus.

Investment property - The amount as per the prior year financial statements did not agree with the investment property register and the retrospective correction was performed during the year, increasing investment property against opening accumulated surplus amounting to R 975,997..

VAT - An assessment of the prior years input vat was conducted and the amount of vat that was not previously claimed from SARS was claimed during the year under review. Thus, the VAT balance was adjusted with the amount receivable as per the schedule prepared of R346,686 against opening accumulated surplus.

Payables, VAT & General Expenses - Amounts paid during the current year for services rendered in the prior year, no accruals was raised in the 2014 year end and corrections were done accordingly. The expenditure amounted to R22,000 excluding VAT of R3,080

Payables, Service charges revenue - The amount posted to revenue on prepaid electricity was identified as significantly larger than expected as per the auditor general finding in the prior year. An adjustment was made which resulted in an increase in revenue and a decrease in Payables from payments received in advance of R2 784,299.

Payables - The settlement amount of the Microsoft creditor was lower than the accrual raised in prior years. This resulted in a correction of payables by decreasing it with R503,655 against opening accumulated surplus.

Fines, Receivables from non-exchange, Debt Impairment - This was as a result of the recognition of fines in terms with Grap 23.

The correction of the error(s) results in adjustments as follows:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

50. Prior period errors (continued)

Statement of financial position		
Property, plant and equipment	-	761 072 346
Investment property	-	2 593 427
Intangible assets	-	(5 832)
Payables	-	2 759 219
VAT	-	349 766
Opening Accumulated Surplus or Deficit	-	(760 327 945)
Receivables from non-exchange transactions	-	2 118 174
Heritage assets	-	1 277 801

Statement of Financial Performance		
Depreciation expense	-	(66 268 123)
General expenses	-	22 000
Amortisation	-	(5 000)
Service Charges	-	(2 784 299)
Fines	-	(3 167 250)
Debt impairment	-	1 049 076
Fair value adjustment	-	(4 216 506)

51. Comparative figures

Certain comparative figures have been reclassified.

Cash and cash equivalents, Investments - This cession (amounting to R65,652) is linked to ABSA fixed deposit account number: 205 824 7882 for local guarantees issued to Department of Mining and Energy. Due to the liquidity nature of the investment, the account was re-classified from investments to cash and cash equivalents.

General expenses, Other Income - Income received from occupational rent and income from voting stations were incorrectly classified under general expenditure amounting to R31,383 and R5,100 respectively.

General expenses, Property, plant and equipment - Plant and machinery was incorrectly recognised at order price, which was lower than the actual cost of the asset by R592, this amount was classified as "small assets expensed" under general expense,

General expenses, Bulk purchases, and Finance cost - Overdue interest on accounts relating to electricity bulk purchases, telephone and legal fees amounting to R1 871,359, R35.18 and R2,949 respectively were incorrectly allocated to expenditure instead of finance cost.

Service charges, Property rates - Income forgone (amounting to R5,455 526) relating to services charges incorrectly classified under property rates.

General expenses, Property, plant and Equipment - Preliminary investigation cost (amounting to R281,778) of a project which was capitalised as work in progress was re-allocated to expenditure as the project did not continue.|

VAT, Payables - A vat account amounting to R4,913,327 receivable was incorrectly set-off against payables. A correction was done and this resulted in an increase in payables and an increase in VAT receivable.

The effects of the reclassification are as follows:

Statement of financial position		
Cash and cash equivalents	-	62 652
VAT	-	4 913 327
Investments	-	(62 652)
Property, plant and equipment	-	(281 186)
Payables	-	(4 913 327)
	-	**(281 186)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

51. Comparative figures (continued)

Statement of Financial Performance

General expenses	-	314 685
Bulk purchases	-	(1 871 359)
Finance cost	-	1 874 344
Other income	-	(36 484)
Service charges	-	5 455 526
Property rates	-	(5 455 526)

52. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 16,17, 18, 19, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The municipality's total net borrowings consist of the following:

		2015	2014
Total Borrowings			
Finance lease obligation	15	17 125	101 100
Long-term loans	16	24 793 551	25 856 332
Payables from exchange transactions	17	104 855 227	113 844 827
	-	129 665 903	139 802 259
Less: Cash and cash equivalents	3	(30 560 306)	(22 225 056)
Net debt	**-**	**99 105 597**	**117 577 203**

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk.

52. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement
of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	17 125	-	-	17 125
Other financial liabilities	2 258 568	23 597 764	-	25 856 332
Trade and other payables from exchange transactions	113 844 836	-	-	113 844 836
Consumer deposit	9 214 943	-	-	9 214 943
	125 335 472	**23 597 764**	**-**	**148 933 236**

At 30 June 2014	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	83 975	17 125	-	101 100
Other financial liabilities	2 258 568	23 597 764	-	25 856 332
Trade and other payables from exchange transactions	113 844 836	-	-	113 844 836
Consumer deposit	9 214 943	-	-	9 214 943
	125 402 322	**23 614 889**	**-**	**149 017 211**

The municipality is currently negotiating revised repayment terms with regards to financial liabilities.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2015 and 2014, the municipality's borrowings at variable rate were denominated in the Rand.

At 30 June 2015, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, deficit for the year would have been R - lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R - lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale.

At year end, financial instruments exposed to interest rate risk were as follows:

- ABSA primary bank account;
- ABSA fixed deposits;
- ABSA notice deposit;
- Finance lease obligations; and
- Various annuity loans;

The following financial instruments at year-end carried a variable interest rate;
- ABSA primary bank account;
- Finance lease obligations;

The following financial instruments at year-end carried a fixed interest rate;
- ABSA fixed deposits;
- ABSA notice deposit;
- Various annuity loans;

Figures in Rand	2015	2014

52. Risk management (continued)

The municipality's consumer receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the municipality such as electricity, water, sanitation, refuse and rates levied. Consumer receivables constitute approximately 86% of the municipality's total exposure to maximum credit risk. The municipality's exposure and credit ratings of its customers are continuously monitored.

The municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No trade or other receivables have been pledged as security. Certain trade and other receivables that were past due have been defaulted on by counterparties,the municipality does implement the debt and credit control policy in order to recover the outstanding debt. Where debt is irrecoverable it has been written-off accordingly. No conditions or terms of the trade and other receivables have been re-negotiated with counterparties.

Cash and Cash Equivalents
Moqhaka local municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Investments
It is the municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the municipality does not expect any counterparty to fail to meet its obligation.

Financial assets exposed to credit risk at year end were as follows:

Credit risk

Credit risk consists mainly of investments, cash equivalents and consumer debtors. The municipality only deposits cash with
major banks with high quality credit standing and limits exposure to any one counter-party.

Financial instrument	2015	2014
ABSA Bank	15 384 837	6 304 450
ABSA BANK Short-term deposit	15 161 549	15 904 686
Receivables from exchange transactions	94 641 706	61 516 191
Other receivables from non-exchange transactions	19 430 910	15 508 724

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position as financial assets at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

53. Going concern

We draw attention tto the fact that a 30 June 2015, the municipality had accumulated surplus of R 2 645 192 905 and that the municipality's total assets exceed its liabilities by R 2 645 192 905.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Despite the uncertainties which cast doubt on the municipality’s ability to continue as a going concern, the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act of 2015, as there are no current indications that government funding will be withheld from the municipality for any reason.

54. Events after the reporting date

There were no subsequent events after the reporting date that had an impact on the financial results as disclosed for the year ended 30 June 2015.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

	2015	2014
Opening balance	(11 853)	1 616 139
Current year subscription / fee	2 562 100	1 770 687
Discount received	-	(133 691)
Amount received / (paid) - current year	(333 437)	(1 648 849)
Amount paid - previous years	-	(1 616 139)
	2 216 810	**(11 853)**

Material losses through criminal conduct

There were no material losses incurred due to criminal conduct identified during the year by the municipality.

Audit fees

	2015	2014
Opening balance	40 120	3 611 203
Current year fee	7 688 757	5 016 638
Interest charged	80 337	256 925
Amount paid - current year	(7 747 311)	(5 233 443)
Amount paid - previous years	(40 120)	(3 611 203)
	21 783	**40 120**

PAYE and UIF

	2015	2014
Opening balance	1 528 214	1 304 810
Current payroll deductions	19 543 300	18 881 626
Amount paid - current year	(21 071 514)	(18 658 222)
	-	**1 528 214**

Pension and Medical Aid Deductions

	2015	2014
Opening balance	10 532 260	3 355 439
Current payroll deductions and council contribution	43 391 784	39 405 566
Amount paid - current year	(53 924 044)	(32 228 745)
	-	**10 532 260**

Skills Development Levy

	2015	2014
Opening balance	110 739	104 328
Current payroll deductions and council contribution	1 415 182	1 370 078
Amount paid - current year	(1 525 921)	(1 363 667)
	-	**110 739**

Reticulation losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

	2015	2014
Estimated line losses	10 783 039	10 152 182
Losses due to tampering or theft	28 355 141	29 689 075
	39 138 180	**39 841 257**

Estimated water losses suffered by the municipality for the year under review is are follows:

	2015	2014
Estimated water losses	16 228 355	15 819 911

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at:

	Outstanding more than 90 days R	Outstanding more than 90 days R
Dire MP	1 403	41
Tau DA	792	-
Monoto MA	879	-
Twapa VPM	48 275	57 559
Makau TL	1 295	51
Makoele WL	-	796
Matshedisho DA	-	208
Green MM	377	-
Kgang LD	2 890	-
Magadlela ZS	2 733	1 421
Mokotla ME	-	236
Rooskrans B	-	836
Thipane MP	-	211
Phooko PJ	58 864	-
	117 508	**61 359**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses are listed in note 52 to 54.

56. Irregular expenditure

Opening balance	257 074 767	159 738 997
Add: Irregular Expenditure - current year	35 673 826	97 335 770
Less: Amounts approved / written-off by council	-	-
	292 748 593	**257 074 767**

Analysis of expenditure awaiting condonation per age classification

Current year	35 673 826	97 335 770
Prior years	257 074 767	159 738 997
	292 748 593	**257 074 767**

57. Fruitless and wasteful expenditure

Opening balance	33 310 381	47 154 134
Add: Fruitless and wasteful expenditure - current year	401 350	3 091 118
Less: Amounts approved / written off by council	-	(16 934 871)
Less: Amounts recoverable (not approved)	-	-
Less: Amounts not recoverable (not approved)	-	-
	33 711 731	**33 310 381**

Figures in Rand	2015	2014

57. Fruitless and wasteful expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

Current year	401 350	3 091 118
Prior years	33 310 381	47 154 134
Written off by council	-	(16 934 871)
	33 711 731	**33 310 381**

Details of fruitless and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings		
Interest on arrear payments to creditors	-	309 955	2 998 396
Interest on arrear payments towards pension fund	-	4 907	4 578
Interest and penalties - SARS	-	35 637	-
Interest on loan amounts - DBSA	-	50 851	88 144
	-	**401 350**	**3 091 118**

Interest on loan amounts as a result of exceeding of payment terms - DBSA	50 851	88 144
Interest on outstanding payments towards SALA pension fund	4 907	4 578
Interest on outstanding payments towards Auditor General, Eskom and Telkom	309 955	2 998 396
Interest and penalties SARS	35 637	-
Fruitless and wasteful for previous years	33 310 381	47 154 134
Fruitless and wasteful approved or written off by council	-	(16 934 871)
	33 711 731	**33 310 381**

The tourism extravaganza expenditure is still under investigation.

Interest on loan amounts as a result of exceeding payment terms

Opening balance	181 801	2 921 882
Fruitless and wasteful current year	50 851	88 144
Approved or written off by council	-	(2 828 225)
	232 652	**181 801**

Interest on outstanding payments to pension fund

Opening balance	4 577	334 401
Fruitless and wasteful current year	-	4 578
Fruitless and wasteful approved or written off by council	-	(334 402)
	4 577	**4 577**

Interest on arrears payments to creditors

Opening balance	954 038	12 500 273
Fruitless and wasteful current year	296 917	3 012 004
Approved or written off by council	-	(14 558 239)
	1 250 955	**954 038**

Overpayment of professional fees

Opening balance	1 452 287	1 452 287
Fruitless and wasteful current year	-	-
Approved or written off by council	-	-
	1 452 287	**1 452 287**

Figures in Rand	2015	2014

57. Fruitless and wasteful expenditure (continued)

Legal fees paid for contractual breach		
Opening balance	324 533	324 533
Fruitless and wasteful current year	-	-
Approved or written off by council	-	-
	324 533	**324 533**

Payments for services not provided		
Opening balance	399 000	399 000
Fruitless and wasteful current year	-	-
Approved or written off by council	-	-
	399 000	**399 000**

Payments made for inventory which could not be verified		
Opening balance	-	1 178 285
Fruitless and wasteful approved or written off by council	-	(1 178 285)
	-	**-**

Interest and penalties on late payments		
Fruitless and waistful - current year	35 637	-

58. Unauthorised expenditure

Opening balance	389 815 893	208 230 354
Unauthorised expenditure - current year	133 829 889	223 836 571
Approved or written off by council	-	(42 251 032)
	523 645 782	**389 815 893**

The above overspending is for individual votes.

59. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

During the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reason for these deviations were documented and reported to the accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

Description	**Number of Deviations**	**Deviation 2015**
Emergency	48	6 702 459
Sole Supplier	86	2 267 634
Impractical	1	20 000
Urgent	257	11 615 004
Poor Planning	2	500 100
	394	**21 105 197**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

60. Commitments

Capital commitments

Approved and contracted for:		
• Infrastructure	85 218 465	18 775 760
Approved and not contracted for:		
• Infrastructure	37 353 420	44 750 697
Total capital commitments		
Approved and contracted for	85 218 465	18 775 760
Approved and not contracted for	37 353 420	44 750 697
	122 571 885	**63 526 457**

Other commitments

Approved and contracted for:		
• General expenditure	16 844 227	830 107
Total operational commitments		
Approved and contracted for	16 844 227	830 107

Total commitments

Total commitments		
Authorised capital expenditure	122 571 885	63 526 457
Authorised operational expenditure	16 844 227	830 107
	139 416 112	**64 356 564**

Infrastructure commitments approved and contracted for will be funded by grants from government. Other operational commitments aprroved and contracted for will be finaced from the municipality's own funding.

61. Actuarial Gains/(Losses) on Employees benefits

Actuarial Gains / (Losses)	(897 000)	12 885 000

The above balance is made up as follows;		
Long Service Awards - Actuarial gains/(losses)	(497 000)	(140 000)
Post retirement medical benefit - Actuarial gains/(losses)	(400 000)	-
	(897 000)	**(140 000)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

62. Non-Compliance with the MFMA

During the current financial year the following non-compliance issues were identified:

Supply chain management regulations 12(1)(c), 17(1)(a) - (c)
Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

Municipal Finance Management Act section 116(2)(b), (c)
The performance of all contractors were not monitored on a monthly basis.

Municipal Finance Management Act section 65 (e)
Creditors were not paid in 30 days as required by the Act.

Municipal Finance Management Act section 71, section 52(d), section 127 and section 129
The monthly budget statements were submitted, but not in accordance with the prescribed timeframes.

The budget implementation and state of financial affairs submission was not in accordance with the prescribed timeframe.

The annual report tabled in council after 31 January.

The oversight report was not adopted after two months of the annual report tabling in council.

Municipal Finance Management Act section 75
The documents as required by MFMA section 75 were not placed on the municipal website such as the annual and adjustment budget, performance agreement required in terms of section 57 (1)(b) of the MSA, all service delivery agreements, all budget related policies, etc.

Municipal Finance Management Act section 32 (4)
The accounting officer did not inform the mayor, the MEC local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure.

63. Budget differences

Material differences between budget and actual amounts

Refer to page 11 in the annual financial statements for an analysis of budget versus the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages 11 in the annual financial statements.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages 11 in the annual financial statements

MOQHAKA LOCAL MUNICIPALITY

APPENDIX A (Unaudited)

SCHEDULE OF EXTERNAL LOANS

FOR THE YEAR ENDED 30 JUNE 2015

	SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014							
EXTERNAL LOANS	**Loan Number**	**Redeemable**	**Balance at 30 June 2014**	**Received / Accumulated during the year**	**Redeemed written off during the year**	**Balance at 30 June 2014**	**Carrying Value of Property, Plant & Equipment**	**Other Costs in accordance with the MFMA**
			R	**R**	**R**	**R**	**R**	**R**
LONG-TERM LOANS								
Development Bank of SA @ 9.00%	61007042	2012	25 856 333	R 2,293,347	3,356,127.68	24 793 552	-	-
TOTAL EXTERNAL LOANS			**25 856 333**	**2 293 347**	**3 356 128**	**24 793 552**	**-**	**-**

MOQHAKA LOCAL MUNICIPALITY

APPENDIX B (Unaudited)

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2015

	COST/DEEMED COST				Accumulated Depreciation						
	Opening balance	Additions	Disposals	**Closing balance**	Opening balance	Depreciation	Change in estimate	Disposals	**Closing balance**	**Carrying Value**	**Budget Additions 2013**
Land and Buildings											
Land	71,658,190.10	-	-	**71,658,190**	-	-	-	-	**-**	**71,658,190**	**-**
Buildings	107,503,015	-	-	**107,503,015**	30,100,844	2,150,060	-	-	**32,250,904**	**75,252,111**	**-**
Community assets	121,435,143	37,441	-	**121,472,584**	49,854,876	2,728,899	-	-	**52,583,775**	**68,888,809**	
Infrastructure	4,140,537,543	87,218,385	-	**4,227,755,928**	###########	101,490,477	-	-	**2,056,148,012**	**2,171,607,916**	
Other PPE											
Office equipment	14,779,035	183,467	7,995.00	**14,954,507**	13,988,805	206,501	-	7,195.00	**14,188,111**	**766,396**	**-**
Furniture and Fittings	3,364,415	225,545		**3,589,959**	2,339,277	214,148.00	-	-	**2,553,425**	**1,036,534**	**-**
IT equipment	5,691,727	1998938	33,844	**7,656,821**	3,831,539	580,900	-	19,711	**4,392,728**	**3,264,093**	**-**
Plant and Machinery	4,682,171	583,124	8,059	**5,257,236**	2,899,035	393,882	-	2,432	**3,290,485**	**1,966,751**	**-**
Motor Vehicles	41,793,175	1,190,585	42,642	**42,941,118**	29,762,637	3,296,911	-	38,378	**33,021,170**	**9,919,948**	**-**
TOTAL	**4,511,444,414**	**91,437,485**	**92,540**	**4,602,789,358**	**###########**	**111,061,778**	**-**	**67,716**	**2,198,428,609**	**2,404,360,749**	**-**

MOQHAKA LOCAL MUNICIPALITY

APPENDIX D (Unaudited)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2015

Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
	2014				2015	
R	R	R		R	R	R
113 860 242	87 276 106	26 584 136	Executive & Council	216 479 074	85 761 843	130 717 231
4 088 466	29 242 712	(25 154 246)	Finance	4 648 984	32 524 641	(27 875 657)
1 301 179	5 435 596	(4 134 417)	Planning and Development/Economic Development/Pla	135 566	3 595 725	(3 460 159)
2 653 534	6 597 457	(3 943 923)	Community and Social	1 183 641	11 224 492	(10 040 851)
-	-	-	Housing	-	-	-
5 652 858	34 747 542	(29 094 684)	Public Safety/Policy	4 880 202	42 605 189	(37 724 987)
4 426 988	23 259 886	(18 832 898)	Sport and Recreation	2 651 655	24 151 691	(21 500 036)
142 300 144	59 781 669	82 518 475	Waste Water Management/Sewerage	50 394 675	54 347 256	(3 952 581)
1 546 703	48 910 650	(47 363 947)	Road Transport/Roads	474 326	39 277 720	(38 803 394)
73 224 046	43 704 934	29 519 112	Water/Water Distribution	86 349 556	43 042 868	43 306 688
219 916 131	215 482 832	4 433 299	Electricity/Electricity Distribution	245 426 180	219 124 690	26 301 490
568 970 291	**554 439 384**	**14 530 907**	**Total**	**612 623 859**	**555 656 115**	**56 967 744**

MOQHAKA LOCAL MUNICIPALITY

APPENDIX E (1) (Audited)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2015

	Current Year 2015 Actual	Current Year 2015 Budget	Current Year 2015 Variance	Current Year 2015 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property rates	47 515 687	58,150,000	(10,634,313)	-18.29%	The property revenue declined as a result of discounts and income foregone.
Service charges	361,705,545	379 240 000	(17,534,455)	-4.62%	
Rental of facilities and equipment	3 746 133	-	3,746,133	0.00%	The budget rental on facilities declined due to the current facilities conditions which have deteriorated.
Fines	4 545 114		4,545,114	0.00%	
Government grants and subsidies	240,348,389	171 728 000	68,620,389	39.96%	
Fees Earned	753 375		753 375	0.00%	
Discount Received	161 947		161 947	0.00%	
Other Income	8 355 000	17,616,589	(9 261 589)	-52.57%	
Interest received	12 281 949	16,039,503	(3 757 554)	-23.43%	The additional interest was as a result of municipality's cashflow management processes that were put in place.
Dividends received	11 421	-	11 421	0.00%	
Total Revenue	**679 424 560**	**642 774 092**	**36 650 468**	**5.70%**	
EXPENDITURE					
Employee related costs	(176 079 475)		(176 079 475)	0.00%	
Remuneration of Councillors	(16 756 655)		(16 756 655)	0.00%	
Depreciation & Amortisation	(111 206 234)		(111 206 234)	0.00%	The infrastructure assets (immovable assets) depreciation is included after the valuation of the infrastructure assets was completed in 2012.
Finance costs	(7 140 938)		(7 140 938)	0.00%	The finance cost increased significantly due to the increase in the employee benefits valuations.
Debt impairment	(24 760 786)		(24 760 786)	0.00%	The significant variance on the debt impairment is as a result of the increased provision in doubtful debts, as a result of the significant amount of long outstanding debtors.
Repairs and maintenance	(53 479 076)		(53 479 076)	0.00%	The ageing infrastructure led to excessive repairs and maintenance being carried out during the year under review.
Bulk Purchases	(186 168 097)		(186 168 097)	0.00%	
Contracted services	(19 007 428)		(19 007 428)	0.00%	
Grants and subsidies paid	(2 948 451)		2 948 541	0.00%	
General expenses	(74 870 668)		(74 870 668)	0.00%	Cashlow constraint led to non spending on the lesser priority areas.
Total Expenditure	**(672 417 808)**	**-**	**(666 520 816)**	**0.0%**	
Other revenue and cost					
Loss on disposal of assets	(34 181)	-	(34 181)	0.00%	
Fair value adjustments	6 110	-	6 110	0.00%	
Acturial Gains/(Losses) on retirement benefit obligation	12 885 000	-	12 885 000	0.00%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**19 863 681**	**642 774 092**	**(617 013 419)**	**-95.99%**	

MOQHAKA LOCAL MUNICIPALITY

APPENDIX F1 (Unaudited)
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2015

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
Equitable Share	National Treasury	R 66,220,000	R 52,221,000	R 45,309,000	R -					R -	R -	R -	R -	-	Y	-
FMG	National Treasury	R 1,600,000	R -	R -	R -	R 344,567	R 605,984	R 457,663	R 241,936	R -	R -	R -	R -	-	Y	-
MSIG	National Treasury	R 934,000	R -	R -	R -	R -	R 165,870	R -	R 784,579	R -	R -	R -	R -	-	Y	-
MIG	National Treasury	R 16,057,000	R 9,660,000	R 12,406,000	R -	R 9,280,743	R 5,369,278	R 14,211,875	R 9,700,608	R -	R -	R -	R -	-	Y	
DWA	National Treasury	R -	R -	R 3,052,628	R 15,132,025	R -	R -	R 3,052,628	R 15,132,025	R -	R -	R -	R -	-	Y	
EPWP	National Treasury	R 478,000	R 358,000	R 359,000	R -	R -	R 286,800	R 549,200	R 359,000	R -	R -	R -	R -	-	Y	
INEG	National Treasury	R 1,500,000	R 4,500,000	R 3,000,000	R -	R -	R 698,598	R 2,803,840	R 8,795,114	R -	R -	R -	R -	-	Y	
LG Seta	SETA	R 65,254	R 68,293	R 94,301	R 24,296	R 526,543	R 70,022	R 113,249	R -	R -	R -	R -	R -		Y	

MOQHAKA LOCAL MUNICIPALITY

APPENDIX F2 (Unaudited)

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2015

Grant Description	Opening Balance 30 June 2014	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Closing Balance 30 June 2015
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	**R**	**R**	**R**	**R**	**R**	**R**	**R**
Municipal Infrastructure Grant (MIG)	-	38,123,000	-	-	(38,109,926)	(13,074)	(0)
LGSETA Grants	909,056	275,190	-	-	(709,814)	-	474,433
Expanditure Public Works Programme (EPWP)	-	1,195,000	-	-	(1,195,000)	-	-
Intergrated National Electricification programme	3,508,842	9,000,000	-	-	(11,959,026)	(338,526)	211,290
Rehabilitation of Sewerage network (DWA)	-	18,184,653	-	-	(18,184,653)	-	(0)
Financial Management Grant (FMG)	281	1,600,000	-	-	(1,600,281)	-	-
Municipal Systems Improvement Grant (MSIG)	10,089	934,000	-	-	(780,210)	(163,879)	-
Housing Development Grant (DPLG)	1,147,622	-	-	-	-	-	1,147,622
FS Human Settlement	-	-	-	-	-		-
Development Bank of South Africa (DBSA)	-	-	-	-	-	-	-
Total	**5,575,890**	**69,311,843**	**-**	**-**	**(72,538,909)**	**(515,479)**	**1,833,345**
TOTAL UNSPENT CONDITIONAL GRANTS	**5,575,890**	**69,311,843**	**-**	**-**	**(72,538,909)**	**(515,479)**	**1,833,345**